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Absorption up slightly on Rte. 128/Mass Pike; sublease space continues to be stable

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Net absorption was 31,228 s/f in the second quarter, slightly increasing the net occupancy decline through the first six months to 249,081 s/f. This increased the availability rate to 14%, up a bit from 13.6% last quarter.

Negative absorption thus far is primarily from the marketing of Phase Forward's 187,410 s/f of space at 880 Winter St. in Waltham and National Grid's (formerly Keyspan Energy) 126,389 s/f of Class A space at 52 Second Ave. last quarter. Both firms have pre-leased speculative buildings under construction elsewhere in Waltham, and will give up their space when they occupy their new quarters. Activity on these large blocks of space has been robust.

Waltham vacancy is up slightly to 10%, only a percentage point higher than its lowest level in the last 18 months. Vacancy remains fifteen percentage points below the 24.6% peak registered five years ago.

There are 36 tenants seeking 1.4 million s/f of space, although tenants are more cautious when committing to space given the current national economic climate.

Sublease space continues to be stable, and is not a factor in the market at this time. The Class B sector has posted 136,113 s/f of positive net absorption this year, from a 107,777 s/f lease last quarter by TripAdvisor in Needham, and a 70,000 s/f renewal by Olympus NDT in Waltham this quarter.

In the first six months, rents at \$37.14 per s/f gross have been steady in the Rte. 128/Mass Pike Class A sector, and have increased by slightly more than \$1 to \$28.16 per s/f among Class B product. In Waltham, Class A average rents have also been steady at \$38.34 per s/f gross through the first six months. Even in premium space in premier Waltham Class A assets such as Waltham Woods, Bay Colony Corporate Center and Reservoir Woods, and Wellesley Office Park, rents in the \$40-\$45 per s/f gross range have not escalated.

Class A options for immediate occupancy along Rte. 128 for firms seeking 100,000 s/f or more remain limited. Early commitments in buildings, and recent leasing in projects under construction to deliver later this year has been encouraging. In Waltham, 77 CityPoint has been fully pre-leased by Phase Forward, PRTM and Administaff. AutoDesk will occupy all of 1560 Trapelo Rd. later this year.

AstraTech will occupy 590 Lincoln St. in its entirety early next year.

Construction commenced on Reservoir Woods East Campus for National Grid's 312,000 s/f office. Normandy Real Estate Partners entered into a purchase and sale agreement with Adobe Systems for Adobe to acquire 108,500 s/f Overlook Center now under construction on Rte. 128.

Low vacancy will keep rents firm for now, especially for tenants in need of immediate occupancy. Meanwhile, future available Class A space from Phase Forward and National Grid, along with second generation space from Multiplan, Parexel, and PRTM, will offer large tenants good choices

over the long term.

Contributions to this article were made by Jones Lang Lasalle's research team.

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